



**November 2, 2017**

## **Jerome Powell: A Brief Introduction**

On November 2, 2017, President Trump nominated Jerome “Jay” Powell, a current Federal Reserve Governor, to succeed Federal Reserve Chair Janet Yellen, whose term as chair ends in February 2018. The new four-year appointment, which requires Senate confirmation, ends in 2022.

**Background:** [Jerome “Jay” Powell](#) was born in Washington, D.C., and obtained his law degree from Georgetown University. Before joining the Federal Reserve, Powell served as both an Assistant Secretary and Undersecretary of the Treasury under President George H. W. Bush. He was appointed as an interim governor to the Federal Reserve Board of Governors in May 2012. In 2014, he was reappointed to serve a full 14-year term.

**Concerned with economic growth:** Though the Federal Reserve’s dual mandate, which has been in place since 1977, is to achieve stable prices and maximum employment, Federal Reserve officials often express their thoughts as economists and experts on a wider range of economic issues. Powell is no exception. In a [summer 2016 speech](#), he discussed at length long-term challenges, and specifically, the reduced potential of the U.S. economy. Powell mentioned that low productivity growth, diminished labor force participation, and declining labor and business dynamism all contributed to America’s lackluster economic recovery. The JEC Republicans expressed similar diagnoses in our [2017 Annual Report](#). Powell’s conclusion was:

*We need policies that support labor force participation and the development of skills, business hiring and investment, and productivity growth.*

**“Financial Innovation: A World in Transition:”** Powell, as chair of the Fed’s Payments System Policy Advisory Committee, spearheads the Federal Reserve’s efforts on new technology. Even with the rapid advances in financial

technology, Powell consistently reminds the innovators that while “we live in a time of extraordinary technological change,” securing American’s money cannot be sacrificed for faster payments or easier money management. In his [October 2017 speech](#) he said of financial innovation:

*Rapidly changing technology is providing a historic opportunity to transform our daily lives, including the way we pay...The examples I’ve drawn upon today highlight that fintech firms and banks must each play a role in assuring that enhancements to convenience and speed do not undermine safety and security...Working together, we can achieve a safe and fast payments system that meets the evolving needs of our consumers and our dynamic economy.*

**Ending Too Big to Fail:** During his time at the Treasury Department, Powell had a front-row seat to the unfolding [savings and loan crisis](#), when the Treasury faced well over 1,000 bank failures. In the early 1990s, bailouts were rarer and smaller. As explained in a [2012 JEC piece on the financial crisis](#), however, by 2008, big bailouts ballooned into trillions of dollars. In a [2013 speech](#) on ending “too big to fail,” Powell reflected on the crisis:

*Bailouts may have been more tolerable in the early 1990s when they were rare and their use for a failing bank was uncertain. That is no longer the case...The public, the regulatory community, and large financial institutions themselves all agree now that too big to fail must end.*

**Reforming housing finance:** On a related topic, Powell made a case in [July 2017](#) for reforming the government-sponsored entities (GSEs), Fannie Mae and Freddie Mac. Without reform the GSEs’ footprint continued to grow since entering “temporary” conservatorship nine years ago. Powell’s first GSE reform principle was protect the taxpayer, “First, we ought to do whatever we can to make the possibility of future housing bailouts as remote as possible.” Beyond protecting taxpayers and preventing future bailouts, Powell additionally called for more competition within the market and allowing firms to compete with GSEs to spur more innovation.

**“Critics deserve a fair hearing:”** Powell supported the regulatory effort to address the “too big to fail” problem, but clearly acknowledged that critics make

points worth considering. More generally, Powell embraces transparency and diverse opinions within the Federal Open Market Committee (FOMC). In a [2016 speech](#) on Federal Reserve communications, Powell reaffirmed his view that to make the best policy requires disagreements and diverse input:

*My strong view is that this institutionalized diversity of thinking is a strength of our System. My own experience is that the best outcomes are reached when opposing viewpoints are clearly and strongly presented before decisions are made.*

**Up Next:** Powell's appointment is just the first step in the process of becoming Federal Reserve Chair. As noted above, the position will require the approval of the [Senate Committee on Banking, Housing, and Urban Affairs](#) and the full Senate's confirmation. Further, the FOMC has [two meetings](#) left in Janet Yellen's term as chair with many expecting an additional rate hike in December. For up-to-date analysis, subscribe and follow the [JEC's regular FOMC Reviews and monetary policy analysis](#).